**Inclusive sustainable finance leads to stable inclusive growth**

Atiur Rahman

In the global economy today clouds of deflationary gloom are deepening: directionless pumping of liquidity by quantitative easing is yielding little in sustained growth optimism while heightening instability risks for the global economy; looming anthropogenic climate change threats are adding further to the potential destabilisation risks. In this context a deliberate directional bias channelling financial flows towards inclusive financing of environmentally sustainable domestic demand-driven output initiatives, including those of farm and non-farm small and medium enterprises (SMEs), is the only way forward for restoring global output growth back on a sustained stable growth path.

Regrettably, the much-needed socially responsible inclusive, green financing initiatives (e.g., impact investment, green bonds, financial inclusion drives) are still on the sidelines rather than in the mainstream of global financial flows where they need to be.

Conventional monetary policy orthodoxies have remained wrongly sceptical of such directional bias in financing as risky for stability. But it is rather their directionless liquidity injections that are heightening instability risks. Little of these reach growth generating start-up and SME (small and medium enterprises) businesses in the real economy, and the bulk goes into supporting environmentally hurtful traditional output and consumption patterns and into speculative outlays in asset and commodity markets.

Maintaining a healthy stable growth pace is imperative for keeping low-income, climate change-threatened Bangladesh on sustainable development path towards broad-based prosperity. The Bangladesh Bank (BB) is statutorily mandated to support attainment of the country's developmental aspirations alongside maintaining price and financial stability.

On my assumption of office as the BB governor in 2009 amid the global financial crisis my primary focus was on upholding domestic demand by making holistic use of BB's mandate. Monetary and financial policies promoted inclusive financing with particular attention to the underserved segments of agriculture and SMEs. Environmentally benign 'green' output processes were adopted. Priority of women entrepreneurs in financing access figured importantly in our initiatives.

The massive countrywide thrust promoting inclusive, green financing began with sustained ongoing sensitisation and motivation campaigns to take on board all banks, financial institutions, and clientele group stakeholders.

The motivational campaign, paying off richly in forging enthusiastic engagement of all banks and financial institutions, state-owned and private sector, local and foreign, continues as a full-blown initiative for firmly ingraining socially and environmentally responsible financing in the institutional ethos of our financial sector.

BB's policy supports for inclusive, green financing include: (i) consultatively setting priorities and targets of inclusive and green financing, aimed at attaining and maintaining adequacy of financing in the underserved areas; (ii) massive upgradation of the payment system and the financial sector IT infrastructure enabling the advent and rapid growth of cost-efficient off-branch online/mobile phone/smart card-based financial service delivery; (iii) consultatively drawn up regulatory frameworks and guidelines for mobile phone/smart card-based and other off-branch service delivery modes, green banking, environmental risk assessment, and so forth; (iv) macroprudential regulations favouring lending for green alternative of traditional options; (V) modest extents of low-cost refinance lines against SME and green financing, funded jointly by BB and external development partners.

The central bank funding for refinance is kept within reserve money growth permitted in BB's price stability focused monetary programmes. Banks are partnering with locally active non-governmental organisations (NGOs) and microfinance institutes (MFIs) in reaching out to their new inclusion clientele bases. One particular BB project is using BRAC, a leading NGO MFI, in extending agricultural financing to the sharecroppers.

Outcomes of BB's initiatives promoting socially responsible inclusive, green financing are thus far quite heartening, upholding macroeconomic stability in terms of price and financial stability supported by stable pace of inclusive output growth. Amid prolonged global growth slowdown, the Bangladesh economy is on a six plus per cent average annual real gross domestic product (GDP) growth for well over a decade now, with single-digit inflation on a steady declining path.

The socially responsible orientation of financing has kept agriculture, SMEs and green projects free from credit crunch during and following the global financial crisis. Incremental output from inclusive financing of agriculture and SMEs is helping uphold output and price stability in the real economy. It is also bolstering institutional stability in the financial sector by widening and diversifying their asset and liability bases in the new inclusion client bases.

Output growth and price stability in Bangladesh are the strongest in the South Asia region, with the lowest volatility. Poverty is receding fast, quite a few of the key millennium development goals (MDGs) have been attained well ahead of timeline. Bangladesh is now ahead of its higher-income large neighbours on many counts of human and social development indicators including life expectancy.

External sector position of Bangladesh economy has strengthened substantially. Debt-GDP ratio has declined to around 35 per cent, rising foreign exchange reserves are now sufficient to cover six months' imports. Bangladesh Taka (BDT) has been maintaining a stable and strong exchange rate.

South Asia's growth projections for up to 2019 indicate that Bangladesh's stable growth rate will be the highest in the region from 2017 onward - probably among the best global growth performances.

The socially responsible financing promotion initiatives are mainly channelling available lending resources towards the desired directions. Net new liquidity infusion by way of refinance support, in which Asian Development Bank (ADB) and Japan International Cooperation Agency (JICA) are now partnering with the BB, remains modest. The portion of refinance from the BB's own funds is kept within margins available in its price stability-focused annual monetary programmes.

The central bank has been sharing its socially and environmentally responsible financing promotion experiences with peers in the Alliance for Financial Inclusion (AFI), a mutual learning global forum, as well as others including International Labour Organisation (ILO), United Nations Environment Programme (UNEP), development institutions like the International Monetary Fund (IMF), World Bank, ADB, JICA etc.

I hope that the citation by 'The Banker' in recognition of my work will attract wider attention of monetary and financial sector policy authorities around the globe, to eventually bringing deliberate socially and environmentally responsible rechanneling of financing flows into mainstream use as tool for enhancing output, price and financial stability.

The editors of 'The Banker' deserve appreciation for recognising our modest efforts which, I hope, will one day bring around shift in the central banking paradigm towards price and financial stability through socially and environmentally responsible financing.

The article is adapted from the acceptance speech of Dr. Atiur Rahman, the Governor of Bangladesh Bank, after receiving Central Bank Governor of the Year for Asia-Pacific given by the Editor of The Banker, a member of The Financial Times

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